



Cotton and Wool Outlook

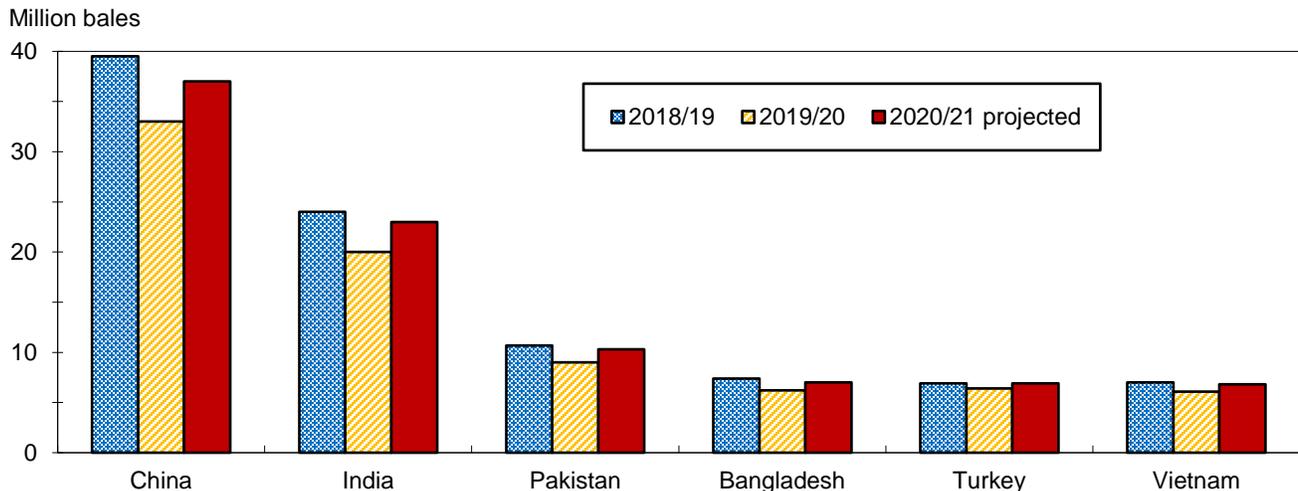
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World Cotton Mill Use To Rebound in 2020/21

The latest U.S. Department of Agriculture (USDA) cotton projections for 2020/21 (August-July) indicate that global cotton mill use is forecast to rebound after a 15-percent reduction in 2019/20 that was associated with the global economic slowdown. World cotton consumption is projected at 114.3 million bales in 2020/21, rising 11.7 percent from 2019/20's 102.4 million bales—the lowest in 16 years. Mill use is forecast to increase for each of the leading raw cotton spinners in 2020/21, with China and India accounting for a combined 52 percent of the world total (fig. 1).

Cotton mill use in China is projected at 37.0 million bales in 2020/21, 4 million bales (12 percent) above 2019/20 but 2.5 million below 2018/19. Mill use in India is forecast at 23.0 million bales, 3 million bales (15 percent) over 2019/20 but 1 million under 2018/19. For Pakistan, cotton mill use is expected to reach 10.3 million bales in 2020/21, 1.3 million bales (14 percent) higher than in 2019/20 but still 400,000 bales lower than in 2018/19. For the other major spinners—Bangladesh, Turkey, and Vietnam—cotton mill use is projected to increase a combined 2 million bales in 2020/21, reaching 7.0 million bales, 6.9 million bales, and 6.8 million bales, respectively.

Figure 1
Cotton mill use for selected countries



Note: 1 bale = 480 pounds.

Source: USDA, *World Agricultural Supply and Demand Estimates* reports.

Domestic Outlook

U.S. 2020 Cotton Crop Projection Reduced in July

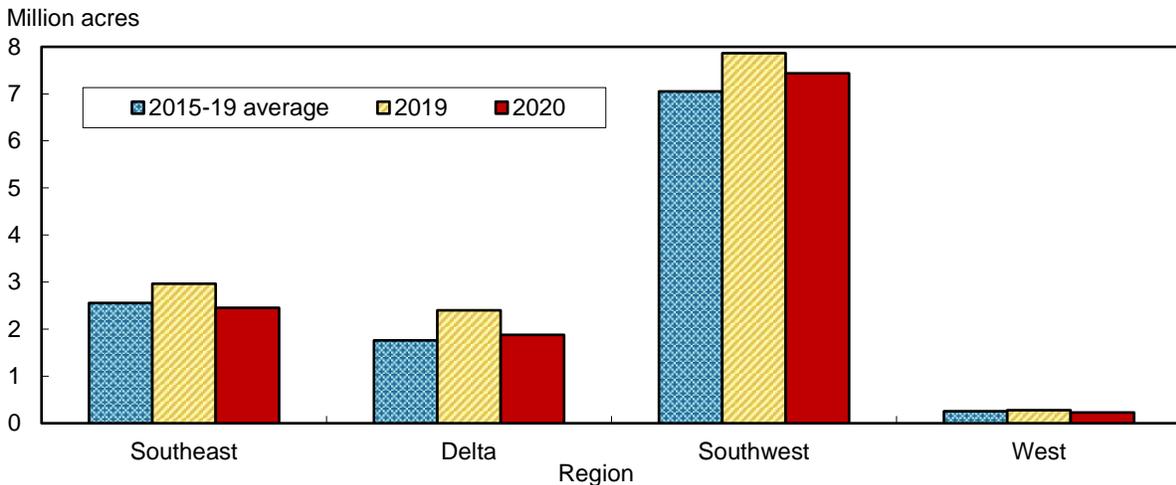
U.S. cotton production in 2020 is projected at 17.5 million bales this month, 2 million bales lower than the June projection and 2.4 million (12 percent) below the 2019 crop. A lower cotton area and yield combined for this month's reduction. Based on USDA's *Acreage* report released June 30, U.S. producers had planted or intended to plant about 12.2 million acres to cotton in 2020, 11 percent (1.5 million acres) below both the March indications and the final 2019 plantings (see table 10 associated with this report).

The upland cotton area projection is lower for each region of the Cotton Belt in 2020 (fig. 2). Area in the Southwest is forecast at 7.4 million acres, 5 percent below 2019 and the lowest in 4 years. The Southwest is expected to account for 62 percent—the second highest on record—of the total U.S. upland area in 2020, indicating the region's importance to U.S. cotton production.

In the Southeast, 2020 cotton acreage is projected at 2.45 million acres, 515,000 acres (17 percent) less than 2019 but only 100,000 acres below the 5-year average. The Southeast is forecast to account for 20 percent of the U.S. area in 2020, slightly below the 5-year average. For the Delta, 2020 cotton area is estimated at approximately 1.9 million acres, nearly 22 percent below 2019 and the lowest since 2016. The region is expected to account for 16 percent of the U.S. upland area in 2020, slightly above the 5-year average.

Meanwhile, upland cotton plantings in the West are expected to decrease to 225,000 acres (2 percent of the total), 19 percent below 2019 and the lowest in 5 years. In addition, extra-long staple (ELS) cotton—mostly grown in the West—is forecast at 195,000 acres in 2020, 15 percent less than a year earlier and the lowest since a similar amount was planted in 2016.

Figure 2
U.S. regional upland cotton planted area



Note: 2020 based on *Acreage* report.

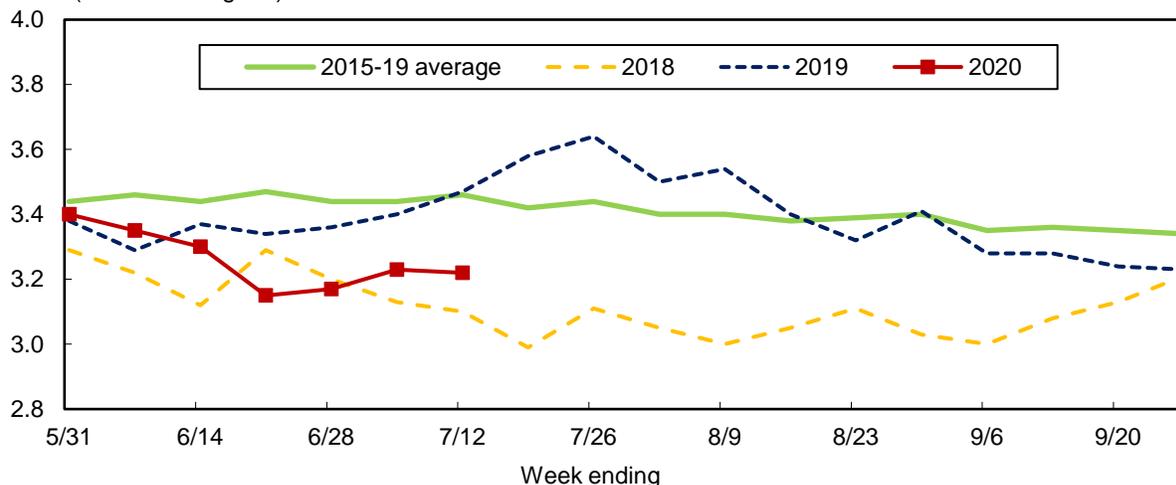
Source: USDA, National Agricultural Statistics Service, *Crop Production* reports.

Total cotton harvested area is projected in July at 10.25 million acres, 12 percent below 2019. U.S. abandonment in 2020 is forecast at 16 percent, slightly above the previous year. The abandonment projection is based on 10-year averages by region, with the Southwest adjusted to about 25 percent to reflect crop and moisture conditions to date. The U.S. cotton yield—projected at 820 pounds per harvested acre—is based on 10-year average yields by region and would be the lowest in 5 years. The yield reached a record of 905 pounds per harvested acre in 2017, but has declined since then, totaling 823 pounds in 2019. In August, USDA’s National Agricultural Statistics Service (NASS) will publish its first survey-based estimates for 2020.

U.S. cotton crop development as of July 12 indicated that 63 percent of the 2020 crop was squaring, compared with last season’s 56 percent and the 2015-19 average of 62 percent. In addition, cotton area setting bolls had reached 18 percent, equal to a year ago but slightly below the 5-year average. Meanwhile, U.S. cotton crop conditions since early June have been below both 2019 and the 5-year average (fig. 3). As of July 12, 44 percent of the U.S. cotton area was rated “good” or “excellent,” compared with 56 percent in 2019, while 26 percent was rated “poor” or “very poor,” compared with 15 percent a year ago.

Figure 3
U.S. cotton crop conditions

Index (3=fair and 4=good)



Source: USDA, *Crop Progress* reports.

U.S. Cotton Export and Stock Estimates Revised

The U.S. cotton demand (mill use plus exports) projection for 2020/21 is reduced in July to 17.8 million bales—down 1 million bales from the June forecast—which is now similar to the previous 2 seasons’ demand. For 2020/21, U.S. mill use is forecast at 2.8 million bales, a rebound from 2019/20’s estimated 2.5 million bales. On the other hand, U.S. cotton exports are decreased to 15.0 million bales, reflecting this month’s reduced 2020/21 foreign import demand expectations as well as a lower U.S. crop projection. The U.S. share of world trade is projected at 36 percent, down from 38 percent in 2019/20, as competition with other exporters increases.

Meanwhile, U.S. cotton exports for 2019/20 are increased 200,000 bales this month to 15.2 million bales based on the latest cotton shipments reported in USDA’s *Export Sales* reports and export data released by the U.S. Census Bureau. In addition, U.S. cotton exports are adjusted slightly higher for 2017/18 (+2,000 bales) and 2018/19 (+74,000 bales) based on revisions to

the U.S. Census Bureau data, which are used in conjunction with *Export Sales* data to determine the USDA export estimate.

Based on USDA's July supply and demand estimates, 2020/21 U.S. cotton ending stocks are projected at 6.8 million bales, 300,000 bales below the year before but the second highest since 2007/08 when stocks were nearly 10.1 million bales. In addition, the 2020/21 stocks-to-use ratio (38 percent) is forecast slightly below 2019/20 and would equal the second highest since a similar ratio was reported in 2008/09. As a result, slightly smaller stocks and a lower stocks-to-use ratio is expected to keep prices near those of 2019/20. The 2020/21 U.S. upland farm price is forecast at 59 cents per pound, the same as for 2019/20 but below 2018/19's 70.3 cents per pound.

International Outlook

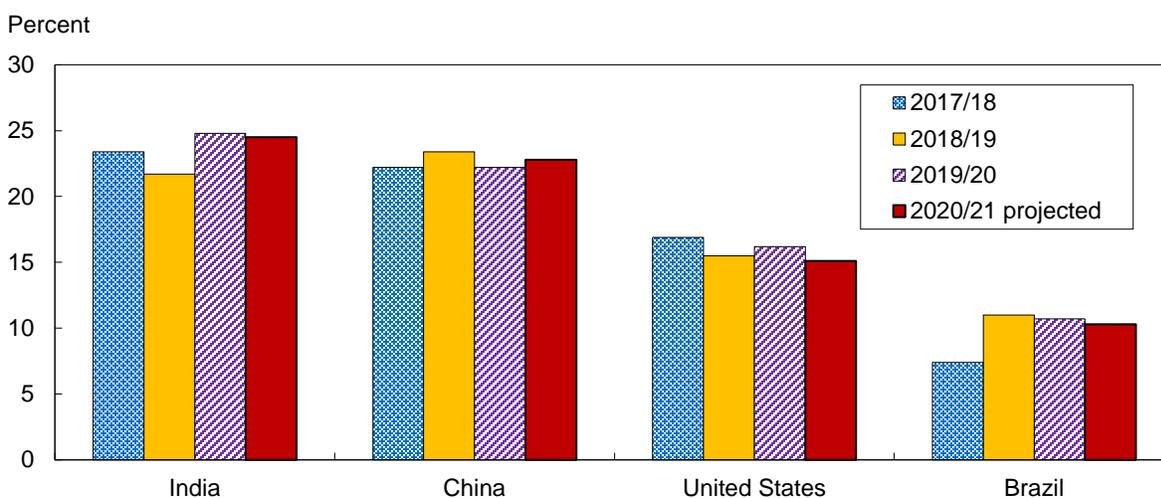
World Cotton Production To Decrease in 2020/21

Global cotton production in 2020/21 is projected at 116.2 million bales, 5.5 percent (6.7 million bales) below the previous year and the smallest crop in 4 years. In 2020/21, cotton production expectations for most major-producing countries are for smaller crops, with Pakistan and Australia notable exceptions. Global cotton harvested area is forecast at 33.0 million hectares (81.5 million acres), nearly 6 percent below 2019/20's 35.0 million hectares (86.5 million acres), which was the highest since 2011/12. Area declines are generally attributable to lower cotton prices, which resulted from stock levels rising significantly in 2019/20. The 2020/21 global cotton yield is forecast at 768 kilograms (kg) per hectare (685 pounds per acre), marginally above the 2019/20 yield.

World cotton production remains concentrated among a few countries (fig. 4). In 2020/21, the top 4 cotton-producing countries are forecast to account for 73 percent of total production, slightly below 2019/20 but similar to the 2018/19-2019/20 average. India is forecast to remain the leading producer in 2020/21, accounting for 24.5 percent of the global crop projection. China is expected to contribute 23 percent of the total, while the United States and Brazil are projected to account for 15 percent and 10 percent, respectively, of the world cotton crop in 2020/21.

India is projected to produce 28.5 million bales of cotton in 2020/21, 2 million bales below the previous year, as a 6-percent reduction in area to 12.5 million hectares combined with a slightly lower yield expectation of 496 kg per hectare. For China, 2020/21 cotton production is forecast at 26.5 million bales, nearly 3 percent (750,000 bales) below 2019/20. Cotton production is concentrated in the high-yielding Xinjiang region, contributing heavily to the 2020/21 national yield projected at 1,748 kg per hectare; however, the second highest yield on record is more than offset by lower area—forecast at 3.3 million hectares—leading to the crop decline.

Figure 4
Share of total cotton production by major producer



Source: USDA, *World Agricultural Supply and Demand Estimates* reports.

Cotton production in Brazil is forecast at 12.0 million bales in 2020/21, 1.2 million bales (9 percent) lower than the 2019/20 record crop. Rising stocks are expected to reduce Brazil's upcoming cotton area for 2020/21, where planting will largely occur in January. Brazil's yield is currently forecast at 1,686 kg per hectare, 2 percent below 2019/20. In contrast, cotton production in Pakistan and Australia are projected to increase in 2020/21. For Pakistan, the crop is forecast at 6.5 million bales (+300,000 bales), as a rebound in yield to 590 kg per hectare offsets a slightly lower area in 2020/21. For Australia, both area and production are forecast to rebound dramatically from the drought-reduced crop of 2019/20. Area is forecast at 180,000 hectares, while production is forecast at 1.7 million bales—nearly 1.1 million bales higher.

Global Cotton Mill Use, Trade, and Stocks Higher in 2020/21

Estimates for world cotton mill use are lowered in July for both 2020/21 and 2019/20 as the global economic slowdown related to the COVID-19 pandemic continues to weigh on consumer demand for apparel items, including cotton products. Despite the reductions, global cotton consumption for 2020/21 is forecast at 114.3 million bales or about 12 percent above the revised 2019/20 estimate of 102.4 million bales, which is 15 percent below 2018/19.

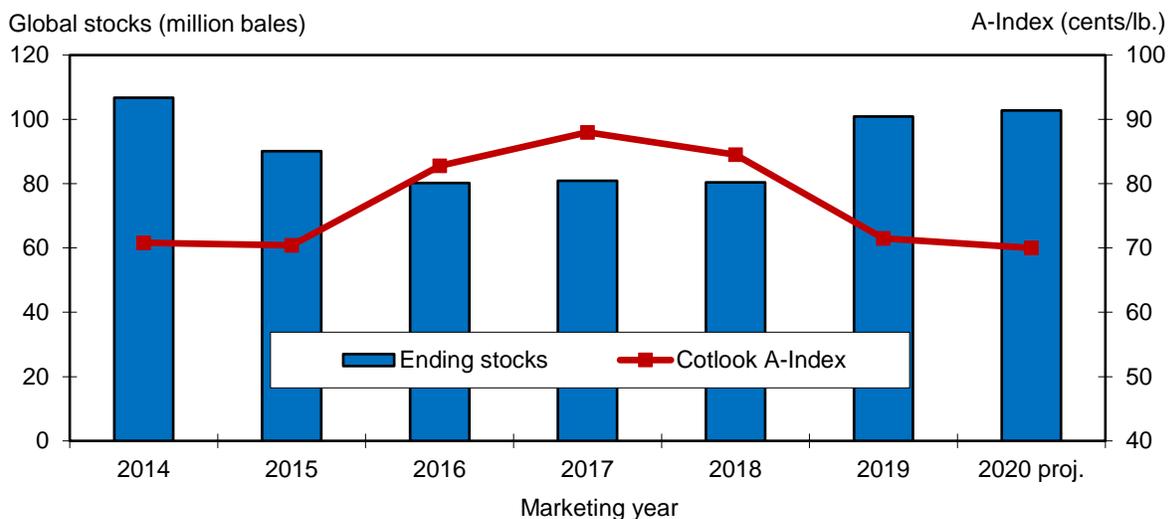
For 2020/21, mill use for all major countries is forecast to experience a rebound as each country's cotton spinning industry adapts to the anticipated recovery of the global economy. Adequate and relatively inexpensive cotton supplies will help the resurgence, which is expected to be led by China and India. China is forecast to account for 32 percent (37 million bales) of global cotton mill use in 2020/21, while India contributes an additional 20 percent (23 million bales). In addition, Pakistan is expected to account for 9 percent (10.3 million bales), while Bangladesh, Turkey, and Vietnam each contribute 6 percent.

Global cotton trade in 2020/21 is forecast at 41.8 million bales, about 4.5 percent above 2019/20. With total trade up 1.8 million bales, exports from several countries are expected to rise in 2020/21. Shipments from Brazil and India are likely to increase as supplies there have grown considerably in recent years. Brazil's cotton exports for 2020/21 are forecast at 9.0 million bales, 3 percent above the year before. For India, exports are projected to reach 4.5 million bales, an increase of 1.5 million bales. Meanwhile, exports from the United States and Australia are forecast slightly lower in 2020/21.

Higher cotton import projections are forecast for most of the leading importing countries for 2020/21. China—the leading importer—is expected to import 9.0 million bales of raw cotton, 24 percent above 2019/20; China imported 9.6 million bales in 2018/19. For Bangladesh and Vietnam, 2020/21 imports are projected at 7.1 million bales (+6 percent) and 7.0 million bales (+8 percent), respectively. Pakistan's cotton imports are also forecast higher at 3.9 million bales.

World cotton ending stocks are forecast at 102.8 million bales in 2020/21, nearly 1.9 million bales above 2019/20, as global production is projected to exceed mill use for the second consecutive year (fig. 5). Despite stocks reaching the highest level in 6 years, the 2020/21 stocks-to-use ratio is forecast to decrease from 2019/20's 99 percent to 90 percent. However, world cotton stocks outside of China are expected to be higher in 2020/21, pressuring prices. Consequently, the average world cotton price (A Index) in 2020/21 is expected to decline slightly from the 2019/20 estimate of 71.5 cents per pound.

Figure 5
Global cotton stocks and prices



Note: 1 bale = 480 pounds.

Sources: Cotlook and USDA, Interagency Commodity Estimates Committee.

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